

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sun International Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Sun International Limited (the group and company) set out on pages 18 to 114, which comprise the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sun International Limited and its subsidiaries as at 31 December 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT continued

Assessment of Sunwest International (Pty) Ltd control (Group)	
Key Audit Matter	How the matter was addressed in the audit
<p>The Group holds an investment in Sunwest International (Pty) Ltd ("Sunwest") with two other shareholders and the Group holding the majority voting and economic rights in Sunwest in excess of 50%. As disclosed in the "Critical accounting judgements" in the notes to the Group Financial statements, the control of Sunwest is disclosed as a critical judgement as the Directors applied critical judgement in assessing whether the Group has control of Sunwest based on the relevant activities being:</p> <p>The day-to-day operations</p> <ol style="list-style-type: none"> 1. The procurement of slots and tables and games 2. The gaming system approved by the Western Cape Gambling Board ("WCGB") 3. The Customer Loyalty programme which has been developed and rolled out by the Group 4. The promotions and marketing to drive footfall to the casino 5. The payment of gaming levies to the regulator <p>Accordingly, for the purposes of our audit, we identified the assessment of the control of Sunwest as a key audit matter to our audit due to the judgement made by the Directors in the determination of the relevant activities of the operations of Sunwest and how they apply their power to direct the relevant activities based on the management agreement in place between Sunwest and Sun International South Africa Limited (SISA).</p>	<p>In evaluating the assessment of Sunwest control and the critical judgement made by the Directors we performed various procedures, including the following:</p> <ul style="list-style-type: none"> ■ Obtaining and reading the relevant documents relating to: <ul style="list-style-type: none"> – the voting rights held in terms of the shareholders agreement; – the thresholds for directors resolutions in terms of the memorandum of incorporation ("MOI") of Sunwest; and – the relevant activities that SISA directs in terms of the management agreement between SISA and Sunwest; ■ Evaluating the legal opinion the Directors received from their legal advisors; ■ Engaging our internal legal specialists to interpret the legal substance of the MOI, shareholders agreement and management agreement to assess whether the Group has control of Sunwest from a legal perspective; ■ Considering the relevant guidance in the application of IFRS 10: Consolidated financial statements ("IFRS 10") from a legal perspective to assess whether the Group has control in terms of the legal agreements of the MOI and the shareholders agreement; ■ Inquire from and critically evaluate matters from discussions with the Executive team of the Group to determine the relevant activities of Sunwest to assess whether the Group has control over these relevant activities and ultimately control Sunwest; ■ Consulting with our IFRS specialists on the application of IFRS 10 on whether these relevant activities are appropriate and determining whether the relevant activities of Sunwest are controlled by the Group; ■ Performing detailed research around the subjectivity of determining what the relevant activities of the investee are to operate a casino; ■ Evaluating the contradictory evidence to the critical judgment made by the Directors in their determination of the relevant activities of the investee; and ■ Reviewing the disclosure in the consolidated financial statements made by the Directors in the determination of their assessment of control. <p>Based on our work performed and the critical judgement disclosure in the consolidated financial statement the control of Sunwest is appropriate. We consider the critical judgement disclosures to be appropriate.</p>

INDEPENDENT AUDITOR'S REPORT continued

Accounting treatment of Vacation Club Revenue and Contract liability (Group)	
Key Audit Matter	How the matter was addressed in the audit
<p>The Group sells timeshare at the Sun City Vacation Club with a contract period of either five or ten years. The performance obligation is over the duration of the individual contract periods and the performance obligation is discharged when the customer takes occupation of the unit.</p> <p>As disclosed in notes 1 and 26 the value of the contract paid upfront by the customer at the commencement of the contract is recognised as a contract liability in terms of IFRS 15: Revenue with contract to customers ("IFRS 15").</p> <p>As part of our audit, it was noted the accounting treatment of the revenue recognised over the contract period was not in compliance with IFRS 15 as to when the performance obligation of the contract is met.</p> <p>Accordingly, for the purposes of our audit, we identified the accounting treatment of the Vacation Club as a key audit matter based on the audit effort and complexity around the accounting system not being IFRS 15 compliant and the level of manual intervention to address the contract liability as at 31 December 2022 of R623 million and the Vacation Club revenue recognised for the year of R122 million.</p>	<p>In evaluating the accounting treatment of the Vacation Club revenue included in Revenue and the Contract liability we performed various procedures, including the following:</p> <ul style="list-style-type: none"> ■ Obtaining a detailed understanding of the operational business process of the Vacation Club and the related accounting treatment; ■ Obtaining a listing of all contracts since inception and comparing this independently to the number of members in the Vacation Club Association as at 31 December 2021; ■ Selecting a sample of new contracts for the year ending 31 December 2022 and identifying the contract terms, occupation dates, any amendments and the resultant recognition of revenue or deferral to when the performance obligation is discharged at a later date; and ■ Reviewing the disclosure in the consolidated financial statements of the Vacation Club revenue as disclosed in the Contract Liability and related notes. <p>Based on our procedures performed and our assessment of the difference in opinion with regards to the recognition of the Vacation Club revenue and Contract Liability, we have concluded that the matter does not give rise to a material misstatement of the consolidated financial statements.</p> <p>We consider the Vacation Club revenue and Contract Liability disclosures to be appropriate.</p> <p>Please refer to note 31 of the consolidated financial statements.</p>
Recoverability of deferred tax assets raised on assessed losses (Group)	
How the matter was addressed in the audit	How the matter was addressed in the audit
<p>The Group recorded a deferred tax asset of R788 million relating to assessable losses as disclosed in note 8 of the consolidated financial statements.</p> <p>A deferred tax asset is recorded to the extent that it is probable that taxable profit will be available against which the deductible temporary difference or unused tax losses can be utilised.</p> <p>In assessing the future taxable income, the directors have made estimates based on assumptions in relation to the future taxable income of the relevant subsidiaries within the Group the assessed losses are attributable to.</p> <p>Accordingly for the purpose of the audit, due to the significant estimation and uncertainty related to the cash flows, the assessment of the recoverability of the deferred tax asset on assessed losses is a matter of most significance to the current year audit and has been determined as key audit matter.</p>	<p>In evaluating the assessment of the recoverability of the deferred tax assets raised on assessable losses, we performed various procedures, including the following:</p> <ul style="list-style-type: none"> ■ Obtaining the approved budget and five-year forecast from the Directors used to support the future taxable income; ■ Testing the mathematical accuracy and logic of the budget calculations; ■ Comparing the forecasted taxable income in the previous year with the actual performance of the current year; ■ Assessing the budgeting techniques and accuracy thereof by comparing the prior year budget to the current year budget to assess for material discrepancies in the forecast and considered relevant contradictory evidence in the forecasts used taking into account the impact of Covid 19 on the business and to Pre-Covid 2019 results; ■ Challenging the Directors' assumptions in the approved budgets; ■ Performing an independent analysis of inputs and assumptions used and independently recalculating the budget; ■ Performing a sensitivity analysis on the Directors' forecasts and budgets considering the impact of changes to key inputs; and ■ Evaluating the adequacy of the disclosures in the consolidated financial statements on the expected recoverability of the deferred tax assets relating to the assessable losses. <p>Based on our procedures performed above, the inputs and assumptions used in the recognition of the deferred tax asset on the assessable losses, as well as the disclosures of the amounts related to the deferred tax asset on assessable losses appears appropriate.</p>

INDEPENDENT AUDITOR'S REPORT continued

Valuation of the financial guarantee liabilities (Company)	
Key Audit Matter	How the matter was addressed in the audit
<p>The Group operates with debt which is managed by a Treasury company within the Group. As a result of the structure the Company acts as a guarantor for certain of its subsidiaries' borrowings which includes the borrowings as disclosed in note 25 in the consolidated financial statements:</p> <ul style="list-style-type: none"> ■ R5.0 billion term facilities; ■ R500 million revolving credit facility ■ the R2.0 billion unutilised short-term banking facility <p>As disclosed in the accounting policy note in the separate financial statements, the financial guarantee contract is accounted for as a financial instrument and is recorded initially at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model ("ECL") or the amount initially recognised (fair value) less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15: Revenue from contracts with customers.</p> <p>The initial fair value and subsequent measurement at the expected credit loss model ECL value, is determined based on the probability of the subsidiaries defaulting on their obligations, the loss given default and the increase in credit risk, which involves judgement.</p> <p>The Directors make use of an external expert to value the guarantee and ECL and apply assumptions in order to measure the fair value and ECL of the financial guarantee liability associated with these facilities. One of the key judgements made by management relates to the proportionate share of the financial guarantee liability that has been recognised by Sun International Limited company in relation to the guarantee made in their capacity as being joint and severally liable for the debt.</p> <p>Accordingly, for the purposes of our audit, we identified the valuation of the guarantee and the ECL as a key audit matter due to the critical judgements made in determining the probability of default, the loss given default and the extent of any changes in the credit risk since the business has changed since Covid.</p>	<p>In evaluating the accounting treatment of the valuation of the financial guarantee liabilities (including the valuation of the expected credit loss) we performed various procedures, including the following</p> <ul style="list-style-type: none"> ■ Evaluating the expert used by the Directors in terms of their competence, independence and objectivity; ■ Attending meetings with the expert to critically evaluate the assumptions; ■ Evaluating the scope of the independent valuers' work and reviewing the terms of the engagement to determine that there were no matters that affected their independence and objectivity, or inappropriately limited the scope of their work; ■ Evaluating the appropriateness of the valuation model with the assistance of our internal valuation specialists by comparing the model to industry norms and the requirements of IFRS 9: Financial Instruments; ■ Challenging the assumptions of the credit risk and staging of the debt used in the valuation model; ■ Evaluating the appropriateness of the assumptions used in the valuation model consisting of the probability of default, the loss given default and the increase in credit risk by comparing historical data and forward looking information; ■ Recalculating the fair value of the financial guarantee liability and the ECL and comparing our recalculated value to the valuation performed by the Directors' expert; ■ Evaluating the proportionate allocation of the ECL that was judgementally determined and recognised by Sun International Limited, by considering the correlation matrix applied by the entity; and ■ Reviewing the disclosure in the separate financial statements. <p>Based on our procedures performed above, the inputs and assumptions used in the valuation of the financial guarantee liability and the disclosures appears appropriate.</p>

INDEPENDENT AUDITOR'S REPORT continued

Other Matter

The consolidated and separate financial statements of the Group and Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 14 March 2022.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Group and Company Audited Financial Statements for the year ended 31 December 2022", which includes the Directors' Report, the Report of the Audit Committee, the Company Secretary's Certificate as required by the Companies Act of South Africa, and the Chief Executive and Financial Directors Responsibility Statement which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT continued

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Sun International Limited for 1 year.

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DELOITTE & TOUCHE

Registered Auditors

Per: Carmen Naidoo Bester
Partner
13 March 2023

5 Magwa Crescent
Waterfall City
Midrand
2090
South Africa

DIRECTORS' REPORT

for the year ended 31 December 2022

To the Shareholders of Sun International Limited ("Sun International" or "the Company")

The directors have pleasure in submitting the financial statements of the Sun International group for the year ended 31 December 2022. Kindly take note that the period covered by this directors' report is from 1 January 2022 to 31 December 2022.

Nature of business

The Sun International group has interests in, and provides management services to businesses in the hotel, resort, casino and gambling industry. There have not been any material changes in the nature of the group's businesses from the prior year save for the transactions as detailed in the consolidated audited financial statements released on the Company's website on 13 March 2023.

The Company maintains a listing on the main board of the JSE and a secondary listing on A2X Markets.

Financial results

Particulars of the Sun International group's attributable earnings and earnings per share for the year ended 31 December 2022 are given in the statement of comprehensive income, whilst particulars of the Sun International group headline earnings per share for the year ended 31 December 2022 are given in note 9 of the financial statements.

Full details of the financial position and results of the Sun International group and company are set out in these financial statements.

Dividends

Interim

The board approved an interim dividend of 88 cents per ordinary share (70.4 cents net after deducting withholding tax) on 29 August 2022 (2021: nil).

Final

The board has approved a final ordinary dividend of 241 cents per ordinary share (193 cents net after deducting withholding tax) (2021: nil). The source of such dividend will be from distributable reserves. The dividend will be payable on 3 April 2023 to shareholders registered in the Company's securities register on 31 March 2023.

Associate companies and other investments

Particulars of the associate companies, joint arrangements and other investments are provided in the group financial statements in note 15, and note 16.

Corporate activity during the year and after the balance sheet date

Commentary on the nature of business of the Company, and its subsidiaries, acquisitions, future developments and prospects of the group are addressed in the consolidated audited financial statements of the Sun International group, which were released on the Company's website on 13 March 2023.

Share plans

Full particulars relating to awards and grants made under the various Sun International share plans are provided in note 24 to the group financial statements.

At the date of this report, a total of 17 616 548 ordinary shares remain reserved for the purposes of the Company's employee share plans. 10 780 000 in respect of the Bonus Share Matching Plan and 6 836 548 in respect of the Sun International 2020 Conditional Share Plan.

Share capital

The total issued share capital of the Company for the period under review constitutes 262 052 195 (2021: 263 905 660) ordinary shares. The Company has an authorised share capital of 800 000 000 (2021: 800 000 000) ordinary shares.

Further details regarding the authorised and issued share capital appear as note 24 to the group's financial statements and company financial statements in note 9.